

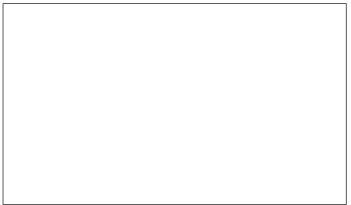
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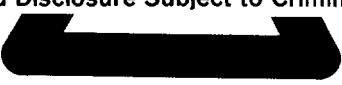
NATIONAL INTELLIGENCE DAILY CABLE

 Saturday 19 August 1978 CG NIDC 78/194

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National Intelligence Daily Cable for Saturday, 19 August 1978.

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[redacted] The NID Cable is for the purpose of informing senior US officials.

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SYRIA: Assad's Domestic Position

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[redacted] The two-year-old terrorist campaign against Syrian President Assad's regime resumed recently after a three-month lull.

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[redacted] //The Deputy Interior Minister, who is a senior security official, was assassinated in Damascus on 10 August. This murder brings to at least 18 the number of prominent members of Assad's minority Alawite sect killed since 1976. Heavy-handed house-to-house searches in Damascus have been ineffective and have disaffected some of the capital's population. Security protection for Alawite officials has been increased amid rumors of other murders.//

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[redacted] The government seems incapable of ending the violence or identifying who is behind it. We believe it is probably the work of extremists within the majority Sunni sect, perhaps abetted by anti-Assad Alawites or Iraq.

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[redacted] //While the terrorism heightens sectarian tension in Syria it does not pose a major threat to the regime as long as Assad can keep his grip on the military. In July, Assad and his influential brother Rifaat imposed sweeping changes in the military high command without any apparent difficulty. At least half of the new division and brigade commanders are Alawites. [redacted]

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LEBANON: Beirut Situation

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[redacted] Although the cease-fire has reduced tensions somewhat in Beirut, belief is widespread that more fighting between Christian militiamen and Syrian troops is inevitable.

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[redacted] Beirut's port facilities, which had been closed since early July, officially reopened yesterday, but sporadic

shooting during the day kept them shut down. Bashir Jumayyil, leader of the Phalangist militia, told US officials on Thursday that although he was initially opposed to the truce, he will abide by it because the Phalange party leadership has endorsed it.

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[redacted] The political differences between the militias and Syria have not been resolved, and the leaders of several of Lebanon's warring factions are convinced that new fighting is inevitable.

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[redacted] Syrian President Assad, as part of his continuing efforts to build up a coalition of anti-Phalange Lebanese factions, met with former President Franjiyah yesterday in Syria. [redacted]

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ECUADOR: Election Plotting

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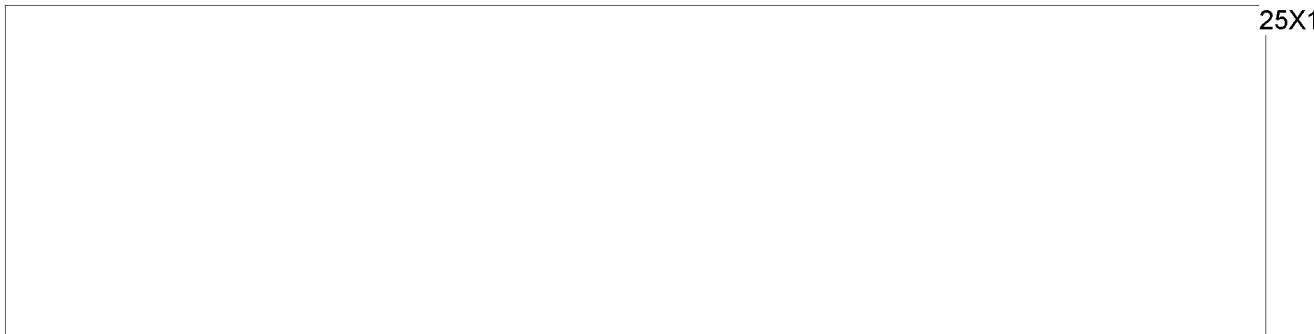
[redacted] Despite repeated assurances by President Poveda that Ecuador's military government will honor the results of the country's two-stage presidential election, plotting persists to deprive populist candidate Jaime Roldos of a near-certain second-round victory. Success for Roldos--whose 31 percent of the vote led all candidates in the initial balloting--appears to hinge on Poveda's continued domination of the military hierarchy and upon the President's personal commitment to the democratization process.

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[redacted] //In a recent series of [redacted] statements in Quito and Bogota--where he attended the inauguration of Columbian President Turbay--Poveda restated his determination to respect the will of the electorate and to resist any attempts to sidetrack the elections.//

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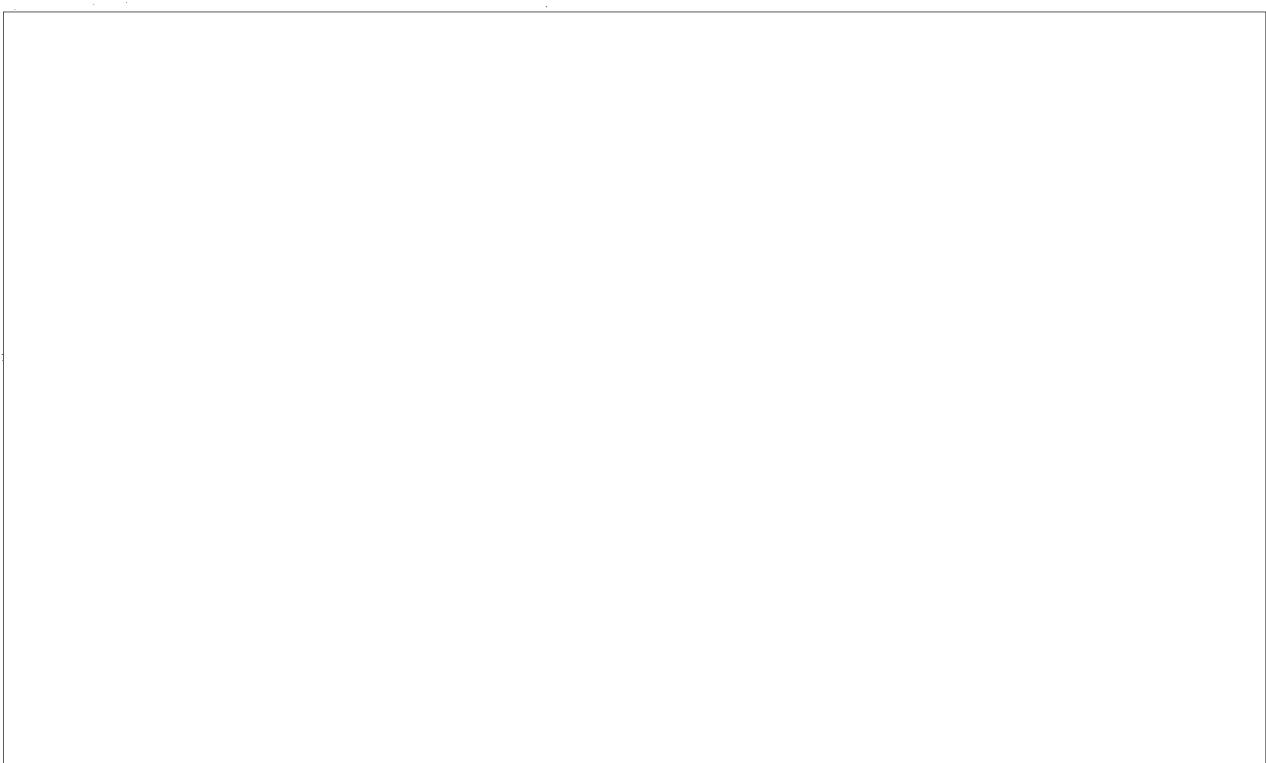
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[redacted] //A key to future developments should be provided by the electoral tribunal's review of the first-round returns from Guayas Province, Roldos' election stronghold. Should the tribunal claim it has uncovered large-scale irregularities or vote fraud there--some reports say as many as 177,000 votes could be invalidated--the stage would appear to be set for annulling the election. The tribunal could complete its review of nationwide results by the second week in September. [redacted]

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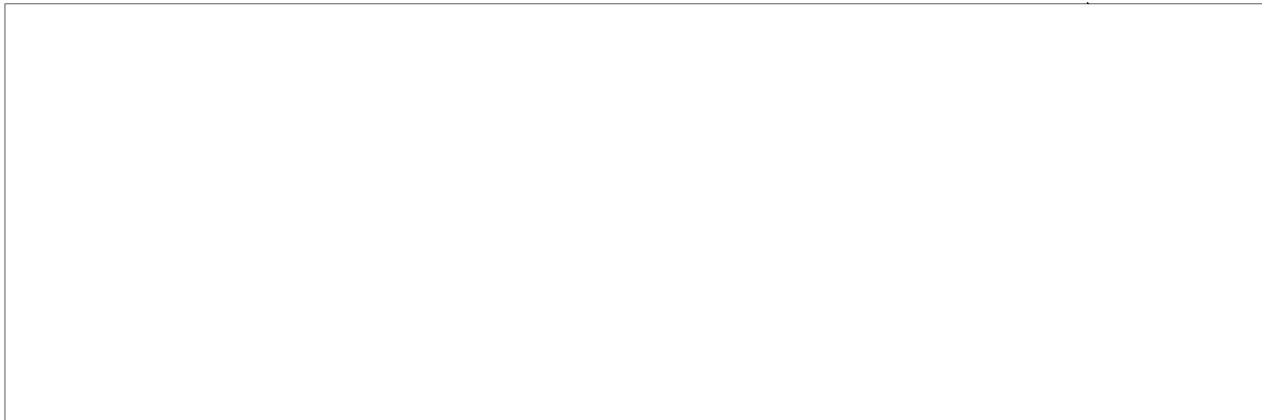
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PAKISTAN: Economic Direction

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//Pakistan's military government has been pre-occupied with political issues and has made a slow start addressing economic problems since coming to power one year ago. Those economic measures that have been undertaken have reflected the government's conservative, pro-business bias. Nevertheless, a good cotton crop and increased remittances from overseas workers have helped ease the economic problems left by former Prime Minister Bhutto.//

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//The government has prepared a new five-year plan that focuses on developing the infrastructure, increasing agricultural productivity, and stimulating the private sector. Islamabad apparently intends to go ahead with several of the large capital-intensive projects inherited from the Bhutto regime, even though most are commercially unsound. Some members of the Pakistani planning bureaucracy, however, as well as the World Bank--which plays a leading role in the consortium of Western aid donors to Pakistan--favor postponement of these projects and a concentration on agricultural development.//

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//The government is not under great pressure to move rapidly in economic matters. It ended its first year in power with inflation and balance-of-payments problems fairly well under control. Real GNP growth averaged about 6 percent in the first year Chief Martial Law Administrator Zia was in power, compared with an average of 3.6 percent during the Bhutto years--December 1971 through July 1977.//



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[redacted] //Aided by a rebound in agricultural production-- except for wheat, which declined about 10 percent--and the restoration of normal supply and distribution channels for consumer goods, the Zia government held inflation to about 10 percent in the fiscal year ending on 30 June 1978.//

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[redacted] //Balance-of-payments problems have been eased by sharply rising remittances from about 1 million Pakistanis working overseas, mainly in the Persian Gulf states. Remittances probably totaled \$1 billion in the past fiscal year--enough to slash the current account deficit by one-third, to lower new financing requirements, and to increase foreign exchange reserves by \$240 million to \$660 million.//

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[redacted] //Despite the encouraging rebound, the economy remains fragile. An uncertain investment climate persists even though the business community is happier with the policies of the present rulers than it was with the socialistic tendencies of the Bhutto government.//

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[redacted] //Economic performance over the next fiscal year will depend primarily on the agricultural sector--specifically on good weather conditions. Another good cotton crop would stimulate the textile industry and cotton exports, but the government will have to import about 1.5 million tons of wheat because of the shortfall last year.//

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[redacted] //External debts will remain a pressing but manageable problem. Despite a higher wheat import bill and an expected slowdown in remittances, the government has ample foreign exchange reserves, and this, coupled with anticipated foreign aid, should allow it to manage its external accounts. [redacted]

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